



State of Rhode Island and Providence Plantations

State House
Providence, Rhode Island 02903-1196
401-222-2080

Donald L. Carcieri
Governor

June 22, 2010

TO THE HONORABLE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES:

In accordance with the provisions of Section 14, Article IX of the Constitution of the State of Rhode Island and Section 43-1-4 of the Rhode Island General Laws, I transmit, with my disapproval, 2010 H 7338, Substitute A, "An Act Relating to Authorizing State-Operated Casino Gaming at Twin River and/or Newport Grand Subject to Statewide and Local Voter Approval."

This bill proposes that a number of casino gaming referenda questions be submitted to the electorate on the November ballot. Subject to both statewide and local voter approvals, the bill would expand gaming at the two existing video lottery terminal ("VLT") venues in Lincoln and Newport and amend state laws to define and accommodate this expansion of gaming.

While I strongly support voter referenda, and have spoken in favor of questions being put to the citizens of Rhode Island on issues of expanded gaming, I cannot support such initiatives when critical financial information is unknown and the normal referenda process is altered without good reason.

First, I believe it is unreasonable to ask Rhode Islanders to vote on these questions and to approve or reject the attendant expansion of gaming when the impact on the state's finances and budget cannot be determined. The very purpose of state operated gaming in Rhode Island is to generate revenues in lieu of taxes. Currently, the VLT venues at Twin River and Newport Grand provide a return (or "split") to the state of 61% of the revenues generated from gaming activities. In fiscal 2010, this revenue was \$291 million and accounted for 9.7% of the state budget.

Here, no "splits" have been determined, even though the financial benefit of bestowing new gaming powers on two private parties is enormous. Leaving the question of splits to future determination is a deeply flawed strategy because the very grant of gaming authority to a private party, before determining the financial arrangement with

the state, eviscerates the negotiating power of the state. This process might be compared to agreeing with a purchaser to take possession of a house before determining the price.

Moreover, the “splits” that exist today in state law apply explicitly to VLTs. In the absence of any financial arrangement being negotiated in advance and embodied in state law between the state and the two venues being authorized to engage in casino gaming, an argument could be made by the venues that the state is not entitled to any portion of the casino gaming revenues at all. Clearly, it is irresponsible not to define the financial arrangement regarding casino gaming before such gaming is authorized by the voters in a referendum.

In addition, I am greatly concerned about the provision in the proposed legislation that cavalierly wipes away the role of the town council or city council in a host community relative to putting a question of local gambling on the ballot. Rhode Island General Laws subsection 41-9-4(a) established a procedure whereby, prior to establishing gambling within a municipality, a city or town council must adopt a resolution requesting that the General Assembly put the referendum question on the ballot. This procedure sensibly puts the responsibility of requesting the referendum on the city or town affected.

The proposed legislation allows for local referenda “*notwithstanding the provisions of subsection 41-9-4(a) of the general laws,*” effectively permitting the state to put the question to the voters without the support of the governing body of the city or town. In a state with a robust history of local autonomy and home rule charters, I believe it is inappropriate to force a municipality to vote on a question of this importance without first garnering local support through the city or town council.

While some would argue that the threat of gaming in neighboring states requires immediate action, I believe the advantage of already established venues allows us the time to develop better information and craft better questions and processes to respond to that possibility.

For these reasons, I disapprove of this legislation and respectfully urge your support of this veto.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald L. Carcieri", with a long horizontal line extending to the right.

Donald L. Carcieri
Governor